



THE PROBLEMS OF A HIGH-TARIFF CREDITOR NATION

Address by Henry A. Wallace, Secretary of Agriculture, in the  
National Radio Forum, Washington, D. C., October 14, 1935.

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

H I G H L I G H T S

FROM A LONG-TIME POINT of view it would of course be wise, if the United States is to remain a creditor nation, and is not continually to import destructive quantities of gold and silver, for imports to exceed exports by several hundred million dollars annually. In view of this fact, would it have been to the interest of the American farmer to further reduce foreign purchasing power for our exports by prohibiting imports?

THE DROUGHT OF 1934 was, so far as I know, the worst drought the United States ever experienced. This drought reduced production of American grains by more than two billion bushels. No previous drought, in terms of bushels of grain, was half as destructive. It is small wonder that in 1935 agricultural exports were tremendously diminished. The surprising thing is that there was not a greater volume of agricultural imports.

IF WE INCREASED OUR TARIFF rates to block the entrance of foreign foodstuffs during the first months of 1935, there was the chance of a short-term advantage, but there was the certainty of a long-term loss.

IT WOULD BE A PROFOUND TRAGEDY for farmers to forget how repeated tariff increases injured their export market, perhaps beyond repair. I hope they will also remember that every time a farm tariff was raised, three or four industrial commodities got higher rates too.

THE INJURY DONE THE NATION as a whole, and agriculture in particular, by past tariff policy was of course instrumental in creating sentiment for the Agricultural Adjustment Act. The parity-price principle grew out of recognition that for years farmers had to sell in a world market, but buy in a protected domestic market. In other words, because the ordinary tariff failed to work for most farmers, it became necessary to devise a kind of tariff that would work for them.

THE PROCESSING TAX affects nine commodities. The tariff now in operation taxes over 3,000 commodities. Yet I doubt if the tariff on these 3,000 items benefits many more persons than the processing tax on only nine items. There are more than 3,000,000 contract-signers under the AAA, and slightly more than 5,000,000 wage-earners in tariff-protected industries. When you consider that the tariff protection for many of these industrial products is either incomplete or ineffective, the total number of wage-earners benefitted must be much less than 5,000,000.







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THE SUGGESTION has lately been made that because the United States has invested abroad foolishly, and because she is unwilling to accept imports in sufficient quantities, it may be only a few years until she is again a debtor nation.

The idea seems to be that the international bankers of Europe, by skillfully shifting their balances back and forth from one country to another, in a comparatively few years will have outsmarted the Yankee traders and again reduced the United States to a position where she owes annually several hundred million dollars to the outside world. The suggestion is that inasmuch as most Americans are unhappy when this country imports, therefore by one device or another, more or less unconsciously, we will sooner or later render valueless the majority of debts owed us from abroad, and again bring the United States to a position as debtor nation. It is said that the people of the United States are happy only when this country owes more money to the outside world than the outside world owes to us. It is such a situation which enables us to export to our heart's content.

### Europe Piles Up Gold in U.S.

For my own part, while I recognize much of truth in this analysis, I question whether anyone at the present time can say with certainty what America's final choice will be. True it is that during the past two years foreign nations have piled up in the United States such enormous quantities of liquid capital that they could easily cause us to appear sometime in the not distant future as though we were temporarily again in the position of a debtor nation. It is quite possible that Europe could use its liquid funds which were created by gold exports to this country, to import temporarily large quantities of American exports. Temporary cross-currents of this sort may obscure for several years the fundamentals as I described them a little over two years ago in the pamphlet, "America Must Choose."

Another factor, operating in the opposite direction, which for the moment has obscured the fundamental necessity of America's choosing, is the drought of 1934. So far as I know this was the worst drought the United States ever experienced. This drought reduced production of American grains by more than two billion bushels. No previous drought, in terms of bushels of grain, was half as destructive. It is small wonder that in 1935 agricultural exports were tremendously diminished. The surprising thing is that there was not a greater volume of agricultural imports. From the standpoint of the consumer, there really should have been. Nevertheless, there was sufficient reduction in agricultural exports, and sufficient increase in imports, so that in the fiscal year 1935 the value of commodities exported from the United States was practically in balance with the value of commodities imported into the United States, exclusive of gold and silver.

From a long-time point of view it would of course be wise, if the United States is to remain a creditor nation, and is not continually to import destructive quantities of gold and silver, for imports to exceed exports by several hundred million dollars annually. Many persons surveying import and export figures for



1935, and not having any clear-cut understanding of the long shadow left by the drought, will hastily reach conclusions that the United States in 1935 was definitely beginning to act as a creditor nation must act. This is not yet the case.

With anything like normal weather, the American farmer, even with much more vigorous adjustment programs than any now in effect, can have such an abundance of cotton and foodstuffs as not only to take care of this country's needs, but the needs of many others as well. In view of this fact, would it have been to the interest of the American farmer to further reduce foreign purchasing power for our exports by prohibiting imports? We knew that further reductions in imports would be unjust to consumers, and we believed they would work to the disadvantage of farmers. We had seen the effect of rising American tariff walls on America's foreign sales of farm products. If we increased our tariff rates to block the entrance of foreign foodstuffs during the first months of 1935, there was the chance of a short-term advantage, but there was the certainty of a long-term loss.

#### High Prices May Cause Substitutions

Barring out farm product imports in 1935 would have been of very temporary advantage to farmers. The resulting rise in domestic prices would have hurt consumers, who would have responded by buying less of that product. Within a short period of time the price would have climbed back down under the pressure of consumer resentment, and the farmer would be back where he was.

We have seen that sequence of events again and again. Every dairyman knows that when butter gets above a certain price, consumers turn to margarine; livestockmen know that when one meat gets relatively higher than another, consumers turn to the meats still low in price.

To say that raising tariff rates would be to the farmer's long-term disadvantage, is simply to point to the history of the past 15 years. It would be a profound tragedy for farmers to forget that history, to forget how repeated tariff increases injured their export market, perhaps beyond repair. I hope they will also remember that every time a farm tariff was raised, three or four industrial commodities got higher rates too.

It is a matter of record that the Emergency Tariff of 1921 on farm commodities exerted no influence on the course of farm prices in that depression year. Yet the fact that those rates had been put up, even though they were only operative on paper, in part accounts for the ease with which industry claimed and got increases in effective protection in the Fordney-McCumber Act of 1922. The making of the Hawley-Smoot Tariff began in the guise of an effort to do something for agriculture. You will recall how rapidly the industrial interests in 1929 turned from helping agriculture to helping themselves. I suppose there never has been a tariff as effective as the Hawley-Smoot Tariff was in inciting other countries to retaliatory measures that barred out American exports.

The injury done the nation as a whole, and agriculture in particular, by past tariff policy was of course instrumental in creating sentiment for the Agricultural Adjustment Act. The parity-price principle grew out of recognition that for years farmers had to sell in a world market, but buy in a protected domestic market. In other words, because the ordinary tariff failed to work for most farmers, it became necessary to devise a kind of tariff that would work



for them. Hence the benefit payments derived from processing taxes; hence the mechanism by which American farmers receive, for the domestically consumed part of their production, the equivalent domestic price long enjoyed by industry. The mechanism has worked well enough, at least, so that farmers now call the processing tax the farmer's tariff.

Agriculture was compelled to devise a mechanism of this sort because other and more powerful economic groups had perverted our tariff policy far from its original course. If you will dig back in history to the debates in the First Congress, when our first tariff measure was being framed, you will discover that the members of that Congress were much concerned with the effect protected industrial prices might have on agriculture. They agreed that they must at all costs so frame the tariff that it would not injure agriculture.

Shortly before passage of the first tariff act Washington wrote to Lafayette that he "would not force the introduction of manufactures by extravagant encouragement, and to the prejudice of agriculture," but he implied that it should be possible to foster manufactures without injuring farmers.

Mr. Scott of Pennsylvania, representing the manufacturing interests, clearly saw the danger of an unbalanced economy.

"I think," he said, "that if the landed interest is ruined by our regulation the ruin of the manufacturing interest must be a necessary consequence . . . Agriculture is entitled to its proportion of encouragement, so also are manufacturers and commerce, and for no more than that proportion do I contend."

#### Tariff Is a Long-Time Problem

In his famous "Report on Manufactures" in 1792 Hamilton referred specifically to the problem of the prices farmers pay. He advanced the view that once industries were established in this country, prices of manufactured goods would fall. He said:

"It is a reflection which may with propriety be indulged here, that this eventual diminution of the prices of manufactured articles, which is the result of internal manufacturing establishments, has a direct and very important tendency to benefit agriculture. It enables the farmer to procure, with a smaller quantity of his labor, the manufactured produce of which he stands in need, and consequently increases the value of his income and property."

During the first years of the new government the tariff was so low that it was hardly an issue. The general European wars of the Napoleonic period, however, disrupted world trade and led to a desire for self-sufficiency. Beginning in 1816 a series of higher tariffs sought to insure the home market to American producers by restricting imports from abroad.

Ten years of this policy had its effect upon agriculture. Thomas Jefferson testified to it in a letter written a few months before his death, in which he cited the causes of his own farm bankruptcy. He explained his inability to retire his debts by the sale of farm produce as follows:

"Had crops and prices for several years been such as to maintain a steady competition of substantial bidders at market, all would have been safe. But the



long succession of years of stunted crops, of reduced prices, the general prostration of the farming business, under levies for the support of manufacturers, etc., with the calamitous fluctuations of value in our paper medium, have kept agriculture in a state of abject depression, which has peopled the Western States by silently breaking up those on the Atlantic, and glutted the land market, while it drew off its bidders. In such a state of things, property has lost its character of being a resource for debts."

Two years after this letter was written, tariff rates were raised again by what farmers called "the tariff of abominations." It was increasingly clear that the balance between agriculture and industry which the founding fathers had established as a test of the propriety of tariff legislation has been destroyed. The South Carolina Ordinance of Nullification of 1832 expressed the extreme view of the farmers when it declared that this tariff was so far beyond the powers of Congress as to jeopardize the basis of the Federal Union.

A retreat was in order. The Compromise Tariff Act of 1833 provided a step-by-step reduction of tariff rates which, while allowing time for readjustments, exerted a continuous leveling influence for the next ten years.

There are many striking parallels between the period following the Napoleonic Wars and the period following the World War, but there are also some reasons why the solution of 1833 could not be the solution of 1933.

In 1833 high tariffs were a matter of less than 15 years standing, and applied to relatively few commodities. Moreover, the high tariff interests were not very firmly entrenched, and the social readjustments required by flat rate reductions of the tariff were not so serious.

#### Balance Sought by Processing Tax

The situation in 1933 was different. In 1933, tariffs had been ingrained into the social and economic system of the United States for 75 years. To correct the unbalance between agriculture and industry by lowering industrial prices to agriculture's world price level was not even seriously suggested in 1933. The alternative was to move farm prices in the direction of parity with industrial prices.

This historical background, to my mind, lends particular support to the analogy between processing taxes and the tariff. In framing the AAA we were quite definitely attempting to do for agricultural prices what a moderate tariff, if effective, would have done.

The analogy holds even though the processing tax contains a ceiling for the protection of the consumer, which the tariff lacks. The analogy holds even though the processing tax has been effective, as many agricultural schedules of the Hawley-Smoot Act have not.

The processing tax affects nine commodities. The tariff now in operation taxes over 3,000 commodities. Yet I doubt if the tariff on these 3,000 items benefits many more persons than the processing tax on only nine items. There are more than 3,000,000 contract-signers under the AAA, and slightly more than 5,000,000 wage-earners in tariff-protected industries. When you consider that the tariff protection for many of these industrial products is either incomplete



or ineffective, the total number of wage-earners benefitted must be much less than 5,000,000.

The analogy between the tariff and the processing tax is, as I have said, reasonably exact. Nevertheless, both devices are full of peril, and it would be foolish not to say so.

The tariff device started out mildly enough, as we have seen, and so long as the groups using it did not overplay their hand, the interest of the whole was not injured. The infant-industry argument appealed to most people as sound, and in the national interest.

For the past 75 years the high-tariff groups have had things pretty much their own way. Whether or not a majority of the people actually benefitted by this special privilege, a majority of the people believed they benefitted by it. As this special privilege has become a firmly entrenched vested right, however, grown hoary with age and respectability, the high-tariff groups have again and again overplayed their hand. Behind the tariff barricades they have failed to lower prices to the extent Hamilton predicted they would in his "Report on Manufactures." They have increased production without providing for a corresponding increase in purchasing power, and for lack of purchasing power at home they have demanded ever higher barriers against competitive imports, while at the same time they have demanded governmental assistance in subsidizing the export of their already subsidized production.

Now it is difficult to make a successful frontal attack on a structure that has been 75 years in the making, growing stronger every year, and that has the support of a majority of the people. Farmers know that, and for that reason they decided to build a parallel structure. There was no other choice open to them.

Because the processing tax and the tariff are so similar, however, there is all the more reason for farmers to make sure that their device does not run counter to the interest of the whole Nation. There is peril in any producing group getting special privileges from government unless it continually recognizes that it must use those special privileges for the interest of consumers as well as producers. Farmers simply must see to it that their adjustment programs allow for as much increase in production as American consumers need, plus whatever can profitably be sold abroad. They must be prepared, in the words of the Adjustment Act, to approach parity at "as rapid a rate as is deemed feasible," or, in other words, only as rapidly as consumer purchasing power permits. In some quarters that statement may not be acceptable, but to my mind it is the only basis that is socially justifiable, and the only basis on which farmers can continue to possess governmental powers.

#### Export Trade Depends Upon Exchange

Apparently it will be necessary to continue with the processing tax, or something equally effective, until the people of the United States compel the high-tariff groups to behave as our creditor position requires. Until we are willing to accept more imports of goods and services, we cannot hope for any sound and enduring restoration of our export trade. Without an export trade, American agriculture must continue the painful process of throttling down its 360-million-acre plant to one of perhaps 325 million acres. And let me assure you that so



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long as those excess acres exist, and despite benefit payments, farmers will find the process of contraction just as distasteful as anyone else.

The problem of the farmers in a high-tariff creditor nation is fairly well met, temporarily, by the processing tax. The problem of the nation as a whole is unchanged, except insofar as the processing tax may serve to sharpen our thinking about all such devices, including tariffs. Unless the high-tariff groups can be persuaded to identify themselves more clearly with the interest of the consumer, the advantages of our position as a creditor nation may well be lost. And the chief victim, it should be emphasized, would be the consumer.

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## WHAT WOULD YOU DO FOR AGRICULTURE?

An address by Chester C. Davis, Administrator, Agricultural Adjustment Act, over the Columbia Broadcasting System, October 23, 1935, in connection with Columbia's Public Opinion Series.

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D

### H I G H L I G H T S

I WOULD SAY that all the farm programs that are to be brought forth must start from one common principle. There can be no sustained recovery or prosperity unless income of the farmers of the Nation is large enough and steady enough to cover their costs, preserve the land and its fertility, and to keep the farm families in the market as generous customers for the goods and services which the rest of the people have to sell. The potential buying power of the American farm market is infinitely more important to the manufacturers and merchants of this country than any market across the seas could possibly be . . . . .

THE OCTOBER REPORT of the National City Bank of New York says: "It is hardly deniable that the impetus to the general business improvement originated on the farms, in the improved relationship between farm and industrial prices, which gave farm products a greater value in exchange for the products of industry". . . . .

THE WORLD TREND is toward economic nationalism. Nations that once bought cereals and meat from us, insist on producing their own, and they protect that determination by quotas, tariffs and embargoes which export subsidies paid by us could not surmount. Or if those nations do buy from outside, they will trade first with the countries that buy from them. . . . .

I AM CONVINCED that if the farmers of the United States return to their intensive over-cropping of as many acres as they cultivated when our export outlets were open, and when horses and mules required the corn and oats from millions of acres, a use which now has been displaced by the oil fields, the export outlets simply will not carry off the load, and farm prices will smash just as they did in 1932 . . . . .

NON-AGRICULTURAL INDUSTRIES, under our economic system, have universally practiced restriction of output in order to maintain price. Corporate industries would no more think of running their plants at full capacity year in and year out, throwing the output on the markets regardless of price, and regardless of unsold stocks piled up, than they would think of burning the factory building down once a year to celebrate the Fourth of July . . . . .



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## WHAT WOULD YOU DO FOR AGRICULTURE?

THE GENERAL ELECTION OF 1936 is little more than one year ahead of us. Some of the issues are already taking form. While I for one do not like to see the agricultural policies of this Nation made the subject of partisan debate, it is becoming apparent that each party or candidate will have to put forward a farm program. And if I understand the thinking of the agricultural producers of the Nation, that program will have to be reasonably definite and clear in order to draw farm support. In other words, when a candidate goes before the country with his farm program, he had better take his blueprints along with him.

If I may be permitted one prediction, I would say that all the farm programs that are to be brought forth must start from one common principle. It is that there can be no sustained recovery or prosperity unless income of the farmers of the Nation is large enough and steady enough to cover their costs, preserve the land and its fertility, and to keep the farm families in the market as generous customers for the goods and services which the rest of the people have to sell.

### Farm Buying Aids Industry

Business commentators who in recent months have analysed the causes of increased business and industrial activity, have attributed it largely to the increase in farm buying power. The October report of the National City Bank of New York, for instance, says: "It is hardly deniable that the impetus to the general business improvement originated on the farms, in the improved relationship between farm and industrial prices, which gave farm products a greater value in exchange for the products of industry." This effect has been clear. The potential buying power of the American farm market is infinitely more important to the manufacturers and merchants of this country than any market across the seas could possibly be. Candidates must toe off from that mark in the race for farm votes in 1936.

Someone, perhaps, will be brash enough to take the other course. America, he may say, is now an industrial nation, which should buy its food and raw materials at lowest possible costs; farmers, he may say, are destined to be merely the gardeners, the "hewers of wood and the drawers of water," for the important industrial population, and as such should receive only the bare returns which, in free and unlimited competition, will keep the supplies of food and fiber flowing to our cities in adequate volume.

I do not believe such a candidate would get far from such a start, against the handicap of today's enlightened public opinion and today's independent and educated farm citizenry. There are too many things wrong with that point of view. One is that farm buying power, essential to recovery and prosperity, would be sacrificed. Another is that the system of farming that would result, would waste and wash away our soil, which is, after all, the most precious national possession. Nevertheless, we will have candidates who in their secret hearts believe this is the course for the nation to follow. I say this with conviction because we have had such candidates in the past, and many of them have been elected to office.



I suggested a moment ago that opposing parties and candidates will scarcely dare to disagree with the present administration as to the goal of our national agricultural policy -- that it is to achieve increased and stable farm income and buying power. But, agreeing on the goal, we still come face to face with the question of what methods shall be chosen to secure it.

Some methods have already been put forward as tentative feelers. None that I have learned of is new in the experience of those who have been working with the farm problem. Most of them have one thing in common -- they over-simplify the problem, and its diversified difficulties. They get into trouble when they come to grips with the stubborn facts of our domestic and international situation. Let's look over some of the proposed ways out.

There is now a great deal of talk, and we will hear more of it, about a program of unrestricted agricultural production, with the surplus above what the domestic market will take at a price satisfactory to the farmers, drained off into export. I can speak feelingly of these plans -- aside from one man, I believe I put more time and work into the effort to have this principle written into our national law, than anyone. That was in the period from 1923 to November, 1928, when the farm drive was deferred for four years.

Some who suggest that the way out is by subsidizing exports say that it can be done by a general system of export bounties. Others say, use the domestic allotment principle, with NO restriction on production, by a system of payments on the quantity of farm crops needed for domestic consumption, leaving the remainder free to flow into foreign markets at whatever price it will bring.

One stubborn fact standing in the way of these plans today may be generalized. Conditions now are entirely different from those that existed from 1921 to 1929. Then we loaned foreign buyers the wherewithal to buy our exports. To the extent that these loans are not repaid, it means, bluntly, that we gave our exports away. In terms of wheat and pork and cotton, it means that we shipped abroad without return, soil fertility of immense value. The contrast between today and the period before and during the World War is even more striking. We were a debtor nation then, paying off interest and principal without exports of raw materials.

#### World Trend Toward Economic Nationalism

Conditions abroad have changed, too. The world trend is toward economic nationalism. Nations that once bought cereals and meat from us, insist on producing their own, and they protect that determination by quotas, tariffs and embargoes which export subsidies paid by us could not surmount. Or if those nations do buy from outside, they will trade first with the countries that buy from them.

I am not talking theory now. We in the Agricultural Adjustment Administration are working every day at the job of pushing exports out of the country, and I know what the difficulties are. Because the last Congress authorized us to devote 30 percent of customs revenues to this purpose, and we are exploring possibilities daily on everything from California's walnuts, and raisins, and prunes, through the Middle West's rye and barley, to Maine potatoes and South Carolina's gum resin and Georgia's turpentine. Let me mention just one or two specific jams we have run into.



In 1934, a drive was made to induce the A. A. A. to subsidize butter exports to the consumer cooperatives of Great Britain. We found that, taking preferential duties, freight, and the lower world price into account, they would pay 8 cents a pound for butter then selling for 24 cents, New York. In other words, we would have been compelled to pay 16 cents a pound out of the Treasury of the United States for the privilege of selling Great Britain butter for 8 cents a pound.

Take another example. California raisins exports have fallen off, largely to Canada and Germany. We find that it would be necessary to give the raisins away, and throw in twenty dollars a ton to boot, to hurdle the Dominion preference tariff into Canada.

Germany would buy our cotton, and lots of it, without any subsidy, if we would agree to let Germany pay for the cotton by shipping goods to us. The trouble starts over what goods to let in. Nearly everything imported competes with something produced by someone in the United States. It has been interesting to me to observe how many of those who advocate stimulating world trade in our own exports insist on closing the door to the imports necessary to pay for them.

One more example. Recently we were looking into possibilities of an export bounty on rye. On the day the report was made to me, the Hamburg rye price was so low that we would have had to give the rye away and perhaps pay part of the freight, to move it to Europe.

I could go on piling example on top of example. The point is, I am convinced that if the farmers of the United States return to their intensive over-cropping of as many acres as they cultivated when our export outlets were open, and when horses and mules required the corn and oats from millions of acres, a use which now has been displaced by the oil fields, the export outlets simply will not carry off the load, and farm prices will smash just as they did in 1932. I believe as a nation we ought to fight as hard as we can for farm exports, and we are certainly pushing them in the A. A. A. -- but let's not kid ourselves, or be kidded by anyone, as to the actual possibilities.

Then there's the school of thought that claims new industrial uses for farm products and wastes, such as fuel alcohol to be made from agricultural products, will absorb the output of our acres, and so all will be well. My guess is that we will hear considerable of that in the next campaign, too. I'm for it-- as far as I know, so is everyone else in the Department of Agriculture who has thought about it. It is in no sense a partisan issue and cannot be claimed as one. But let's not be deluded into thinking that its immediate possibilities contain the master key to the present farm problem, or that anyone who simply says he is for it has the blueprints to show just how it can be done right now.

#### Cash Crop Need Cuts Soil Fertility

As I see it, we are in a situation when farmers, if they are to prosper must ease up in their feverish cultivation of every available acre for the production of cash crops. To do that, and for the national good, they must be enabled to get more of their land into soil building crops, and conserve the land for future generations. Some real force is required to lift the immediate economic disadvantage from the shoulders of the farmers who attempt it. The



benefit payments made under the more than five million adjustment contracts that have been signed since the A. A. A. was established, supply that force at the present time.

No man in a responsible position in the Adjustment Administration believes that the single commodity adjustment contract, and the past methods of handling them, represent perfection in form or method. Change and decentralization are constantly taking place. A fixed and static method of procedure while the farmers are working out their problem in the face of existing and imminent conditions, would be perilous. The farmers, who, after all, have the say as to whether any farm program will or will not go forward, are by no means fixed or static in their thinking. They are cooperating in bringing about change -- and when I say cooperating, I mean just that.

Well, the allotted time is nearly up. There is one thing I want to drive home, in conclusion. Unless I'm badly mistaken, candidates will find this thought very definitely imbedded in the minds of those who come to hear them. It is one of the fundamentals upon which the present adjustment program rests. It is this:

Non-agricultural industries, under our economic system, have universally practiced restriction of output in order to maintain price. Corporate industries would no more think of running their plants at full capacity year in and year out, throwing the output on the markets regardless of price, and regardless of unsold stocks piled up, than they would think of burning the factory building down once a year to celebrate the Fourth of July. The farmers will want to know why they, of all the elements of society, must be the only ones to hang themselves in this manner. Now that is an issue that will persist in challenging anyone who undertakes to drive it away.

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## COMMENTS ON THE AGRICULTURAL SITUATION

Remarks by Henry A. Wallace, Secretary of Agriculture, over the National Farm and Home Hour, National Broadcasting Company, October 29, 1935

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

## H I G H L I G H T S

THE QUESTION before industry and agriculture today is really this: Can both of them really get down to work expanding the output of those things the American people need, at a price low enough so consumers can buy, and high enough so the producer can keep on producing without destroying his soil or causing his factory to deteriorate? . . . . .

THE AGRICULTURAL ADJUSTMENT program was warranted because the foreign market for farm products was almost closed to us by our American high tariffs. It was justified on the ground that it would help start city industry going again--as everybody now admits it has. But the industrial reduction program plowed workers out onto the streets by the million at a time when there was real demand inside the country for what those millions could produce . . . . .

THE WORST OF our industrial reduction programs has been the one which began in 1930, and which has cost the city, state, and national governments billions of dollars for relief each year since then. Even more than earlier ones, the present industrial reduction program has kept the farmer as well as the city man from getting his customary quantity of city goods because price has been held out of line with purchasing power . . . . .

CONSUMERS REALLY don't expect farmers to produce things which cannot be sold abroad at a satisfactory price. But farmers and consumers alike can never see the justification of an industrial reduction program when there is such a crying need here in America for the things industry can put out . . . . .

IT TAKES ABOUT 2 1/2 acres of crops to supply the average consumer, employed and unemployed, with his usual food and clothing. That 2 1/2 acres has not been touched. Indeed, to restrict production on that 2 1/2 acres would merely be to add to the industrial reduction program from which everyone is still suffering . . . . .

DISASTER COMES when some one group, in a position of temporary power consciously or unconsciously overreaches itself. The city folks overreached the farmer during the past 15 years. It would be a most serious and unjust mistake if the farmer overreached the city folks during the next 15 years . . . . .







## COMMENTS ON THE AGRICULTURAL SITUATION

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TODAY YOU ARE FIRST to hear from three persons who live many miles apart. Their homes form a triangle, with the points in Maryland, Kansas, and Florida. A woman in Baltimore, Maryland, leads off:

"I am writing to ask you if you can do something in regard to moderating the prices of food for the consumer, as present prices are unjust. I am bitterly opposed to food control or less production or any law that creates misery or injustice. . . I can assure you that no one wishes any more for the progress of the farmer than I do, for nearly all my relatives are farmers. But I do think a more humane method could be found to make the farmers' products profitable for them than paying them to destroy food to put up prices."

Some 1500 miles distant, from a farm in western Kansas, comes this message:

"If the Government and the AAA hadn't come to our rescue in these last two years, we'd be hungry and cold. . . We are renters here in the Far West; have been on this place for 15 years. Got along fine raising beef cattle, but five years ago the big depression struck us, took all our cattle and our grain. We didn't get the price of production -- then successive dry years came. So now we have nothing but what the Government is handing out to us. . . "

### Tyranny in Program, Says Writer

Those two letters do seem all of 1500 miles apart, don't they? But now let me read you part of still another letter, the bitterest letter I have yet received. It comes from a Northerner who has gone to Florida to live. He challenges me to read his letter over the radio. He writes in part as follows:

"If you do not know for an indisputable fact that the poor of America are being ground out of life by the tyranny of your program, then as a reasonably sane person, I must question your intelligence. When hundreds of thousands are denied even a taste of necessary, basal nature products by reason only of your program, there seems no possible denial of the Neronic cruelty of your system. You may not murder your mother and other members of your immediate family, but if there be any such thing as Eternal Justice, your administration will confront a growing historic verdict that will drop Nero from future cruelty comparisons and substitute Wallace.

"Well, how do you like this? Let me say that I have hundreds (truly so) say practically what I have written. In truth, I overheard one man say that he couldn't understand why you were still living. Maybe you can cogitate on this and derive its intent."

This man is exceedingly bitter. He has had a great disappointment. He feels that in some way the Administration has caused his trouble. But he is sincere and earnest in writing what is in his heart.

It seems to me that all three of the letters I have quoted demonstrate the extraordinary need for a balanced understanding between people from different parts of the country.



There is the need for understanding that when Congress provided for reducing export surpluses which foreigners couldn't or wouldn't buy, it was not depriving us here in the United States of a single ounce of our usual food supply. Truly it would be a dastardly and wicked thing if the farmers, with the help of the Government, caused any consumer in this country to go hungry. But the Government doesn't intend to do this, and the farmers don't either.

It is a fact that the drouth of 1934 made inevitable the most extraordinary meat shortage this country has ever had. This drouth reduced production of American grains by more than two billion bushels. No previous drouth, in terms of bushels of grain, was half as destructive. No previous drouth was anywhere near as destructive of pasture and forage crops. On the other hand, the effect of the AAA programs has been to break the shock of that drouth both to farmer and consumer.

Because we began to anticipate the effect of the drouth as early as May, 1934, we were able to modify adjustment programs in such a way that I can confidently say there is more meat available to the people of the United States than would have been the case without any AAA. I cannot expect an excessively bitter man, or those who cherish prejudices, to believe this. On several occasions I have spoken to city audiences, giving them numerous details of the adjustment programs and answering their questions, admitting certain mistakes we had made but also clearing up in their minds many things on which their information was astonishingly inaccurate. Again and again I have been told, "Why is it no one has told us these things before?"

#### Farm and City Viewpoints Differ

Truly it is almost as difficult to get a farm point of view across to city people as it is for the camel to go through the eye of the needle. And yet, strange to say, with all the misunderstanding of specific facts, there seems to be a natural and continuous sympathy between the bulk of the poorer city folks and the majority of farmers. They mean well toward each other. And let me say right here that while there have been acreage reduction programs so we could stop producing the stuff for which there no longer was a foreign market, we have never consciously engaged--and do not intend to engage--in a control program which would cause the American consumer to go short.

It takes about 2 1/2 acres of crops to supply the average consumer, employed and unemployed, with his usual food and clothing. That 2 1/2 acres has not been touched. Indeed, to restrict production on that 2 1/2 acres would merely be to add to the industrial reduction program from which everyone is still suffering. In practically every decade in the past 100 years farmers and city workers have suffered from periodic curtailment of jobs and consumer purchasing power. The worst of our industrial reduction programs has been the one which began in 1930, and which has cost the city, state, and national governments billions of dollars for relief each year since then. Even more than earlier ones, the present industrial reduction program has kept the farmer as well as the city man from getting his customary quantity of city goods because price has been held out of line with purchasing power.

The agricultural adjustment program was warranted because the foreign market for farm products was almost closed to us by our American high tariffs.



It was justified on the ground that it would help start city industry going again --as everybody now admits it has. But the industrial reduction program plowed workers out onto the streets by the million at a time when there was real demand inside the country for what those millions could produce.

Consumers really don't expect farmers to produce things which cannot be sold abroad at a satisfactory price. But farmers and consumers alike can never see the justification of an industrial reduction program when there is such a crying need here in America for the things industry can put out.

The question before industry and agriculture today is really this: Can both of them really get down to work expanding the output of those things the American people need, at a price low enough so consumers can buy, and high enough so the producer can keep on producing without destroying his soil or causing his factory to deteriorate?

#### Balanced Relationship Sought Between Producers

Yes, we must all learn to use the governmental powers in such a way as to bring about a balanced relationship between producing groups. We simply must do this in order to go ahead year after year with sustained high production and prices which are neither high enough to hurt the consumer nor low enough to hurt the farmer, the wage-earner, or the manufacturer. Disaster comes when some one group, in a position of temporary power, consciously or unconsciously overreaches itself. The city folks overreached the farmer during the past 15 years. It would be a most serious and unjust mistake if the farmer overreached the city folks during the next 15 years.

These tremendous swings have power to cause infinite heartaches, prejudices, and distorted judgements, from which every person within the sound of my voice has suffered directly or indirectly. Surely if we are willing to try to understand without prejudice, much of this cruelty can be eliminated. I am sure that the Baltimore consumer and the farm couple from Kansas could get together in time if they could only sit down and talk things over. I am not sure about the bitter man from Florida, although I can understand how he got that way.







WHAT THE AAA HAS DONE FOR THE PRODUCER OF COTTON

Address by Cully A. Cobb, Director,  
Division of Cotton, Agricultural  
Adjustment Administration, at Temple,  
Texas, November 12, 1935

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, DC.

H I G H L I G H T S

NOTHING OF MORE FAR-REACHING IMPORTANCE has come as a result of our program than the release of women and children from cotton fields, made possible by reduced cotton acreage. Verily it is a new day in the South when the women of the cotton farms can devote their time to their homes and the children can go to school instead of the cotton field. The labor of these women and children has been the labor that has been released from the cotton fields, and not the wholesale turning out of tenants, as the distinguished professor of one of our great universities claimed in a statement a few days ago when he asserted the cotton program had created a surplus of 200,000 tenants with dependents numbering a million persons. The opposite is the fact.

BUT WHAT ABOUT OUR RIGHTS? The "inalienable American right" in the past has been the "right" of cotton producers to supply the world with cheap cotton and cut each other's throats. Is it not that kind of right we are trying to get away from? It is the new right to save each other and the industry we are now seeking and must have.

THE COTTON PROGRAM from the beginning has been a producer's program, as it must continue to be. This fact has done more to confound our enemies than anything else. More and more the producers themselves will have to assume responsibility. That also is as it should be. It is my conviction that the program will succeed just so long as it is a producers' program, and just so long as the producers stand by it as loyally and faithfully as they have up to the present time. When it ceases to be a producers' program, or when they tire of it, there will be no program.

WHAT WE MUST KEEP ETERNALLY IN MIND is that we have a plan and we have a purpose; that ours is a part of a great national program. We know the purpose is right. The purpose is not only right from the standpoint of those who produce cotton, but is right from the standpoint of national security.

NOTHING IS MORE IMPORTANT to be remembered today as we look to the future than the very emphatic statement of the President a few days ago when he announced that the Agricultural Adjustment Administration had won its place as a permanent institution of Government, and is here to stay.







## WHAT THE AAA HAS DONE FOR THE PRODUCER OF COTTON

I regard the time of this gathering as being most important as well as most significant. This is particularly true as it relates to the very effective effort the United States Government has made these last three years to apply to agriculture in a practical manner the equal privilege with other groups, which right is held as one of the great fundamentals of our Constitution. It is important now to appraise results and consider the future.

May I say at the beginning that we have come a very long way since that day in early March, 1933, when every bank within the nation was closed and when gloom hung heavily over every home. It was not prosperity that was just around the corner then as we had been repeatedly told. As I remember, it was the sheriff. Certainly there was never a time before when the sheriff was pinning more tags on the doors of bankrupt business concerns, for bankruptcies then had reached the highest point in history. There are a lot of folks that wish we would not bring up matters of this kind. Even so, they are quite worth remembering.

In passing, it is worth noting that whereas bank failures had mounted to the highest record of history when the Agricultural Adjustment Program was inaugurated, they are now at a record low. I do not believe this is a mere coincidence. I believe there is relation between the condition of banks now and the fact that a bale of cotton is now worth twice what it was worth in 1932. Figures I shall cite a little later will make even more plain the reason, at least to those who want the truth, and who want to understand.

As I have indicated already, our cotton program has a very definite purpose and was laid out to follow a very definite plan. The purpose, simple, definite, and direct is to reestablish prices to farmers at a level that will give agricultural commodities equality of purchasing power--a right they have been deliberately denied up to now. The stated plan, quite as simple and quite as definite, and that which we religiously have attempted to follow and which we must continue to follow, is "To establish and maintain such balance between the production and consumption of agricultural commodities and such marketing conditions therefor" as are necessary to achieve equality of purchasing power. It is the plan "To approach such equality of purchasing power by gradual correction of present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets," an opportunity we have been denied in the past.

Lest we forget and to avoid confusion, it seems exceedingly important today that we recall definitely to mind both the purpose and the plan of our program that we may realize again that in the beginning we deliberately set out to reach a very definite goal, and that a definite plan was laid down which we were expected to follow. It is mighty important to know where you are going and what route you are going to take to get there.

Though far from the goal, we have been on our way now three years, and we have approached a point in our rise out of the desperate depths into which the cotton producer had been plunged in that long, downward slide through the 20's and early 30's that ended in 1933 when we plowed





eloquently than words these figures emphasize why we have risen from the poverty conditions of 1932 to a point where we can see daylight again. And this year the South is doing the best job at farming in its history.

As we have risen from the depths of 1932 to the high place we occupy today, taxes have been paid, debts that have hung over us for years have been cleared, schools that have been shut down have been reopened, and countless churches whose work had been crippled by the depression are now able to carry on again.

Nothing of more far-reaching importance has come as a result of our program than the release of women and children from cotton fields, made possible by reduced cotton acreage. Verily it is a new day in the South when the women of the cotton farms can devote their time to their homes and the children can go to school instead of the cotton field. The labor of these women and children has been the labor that has been released from the cotton fields, and not the wholesale turning out of tenants as the distinguished professor of one of our great universities claimed in a statement a few days ago when he asserted the cotton program had created a surplus of 200,000 tenants with dependents numbering a million persons. The opposite is the fact.

Business statistics of every character tell the story of increased buying power, of better living, and of the universal turn things have taken for the better. The daily papers are now carrying headlines like these:

"Steel profit is \$7,600,000 in third quarter. In the same period last year industry lost \$24,700,000."

"184 companies net 36% more than year ago."

"Freight traffic continues rise with 13% gain."

"Business is more solid than at any time in last five years."

In the "Washington Post" of Friday, November 8, the following headlines were carried:

"Steel production at five-year top."

"Montgomery-Ward sales set all-time record. October sales of Montgomery-Ward & Company were the largest for any month in the history of the Company. A 20.8 percent increase over October of 1934."

"Sears-Roebuck votes special 50 cent dividend. Sales since January are running at highest rate in 6 years."

"General Motors October biggest in 8 years."

"Bank clearings here gain 30 percent over last year. Rise of 20.5 percent is the average for 22 leading cities."

The record as presented by Dun & Bradstreet showed failures down

to the lowest point in 15 years, or to some 3000 in 1934 as compared with 9000, the high peak reached in 1932, with electric power production at the highest level in history. This means there are more dynamos turning in factories today than at any time in recent years. About all they were doing in February, 1932, was accumulating dust. Relatively, where one was turning in February, 1932, 23 were turning in August of the present year.

In April, 1933, the curve indicating business activity in the Dun & Bradstreet Barometer stood at 45. Today it stands at 80. Employment is up and payrolls are up.

Advertising lineage in the same daily papers from which I have been quoting registered an almost record low as of February 1, 1933. Belonging to that fraternity, along with the rest, I descended the winding stairs of the depression that seemed at many times to lead down to an inevitable doom. But one day there was a turn for the better. It was in the spring of 1933. Since that day we have been climbing back. And strange though it may seem in the presence of complaining editorials here and there, some papers and some magazines are enjoying the most prosperous days of their lives.

In the early months of 1933, freight car loadings also took a turn for the better, and ever since have been climbing back to a more comfortable position--some roads are actually making a profit.

A recent study shows that actual carlot shipments of industrial and manufactured goods from 16 Northeastern industrial States to 10 Southeastern agricultural States increased by 38.9 percent in the first year after the cotton program and recovery program got underway.

Taking account of the situation by Federal Reserve Districts, the Cotton Belt makes an unusually happy showing.

The improvement that took place in department store sales in the twelve Federal Reserve Districts in 1934 over 1933 was greatest in the Atlanta District, while Dallas and Richmond showed the second and third largest increases.

Rural retail sales of general merchandise, as reported by the Department of Commerce, in the Southern region showed an increase of 23.5 percent in 1934 over 1933, while the increase for the Middle Western region was 21 percent, the Eastern region 20.5 percent and the total for the United States 21 percent. For the first nine months of 1935 the Southern region showed an increase of 26 percent, the largest of any of the other regions. New automobile registrations follow a similar pattern. Improved conditions have been reflected too in rises in postal receipts, insurance sales and in real estate and building activities.

At this point, and with good conscience, I can say: "I told you so." Some of you will recall the many editorial statements of mine to the effect that because of certain definite advantages the South would rise out of the depression ahead of any other region. While we shall not take time here today to recite those reasons, it is important to remember that in cotton itself the South enjoys an advantage. Cotton is the best cash crop in



the world. These are facts that can't be laughed off or explained away. The old campaign song, "Happy Days are Here Again", did have a meaning.

I should like, if I may, to indulge in a little reminiscing. In an editorial on November 15, 1921, I made this statement, "It becomes more evident each succeeding day that what agriculture needs most is a national program that will embody in its scope the broader aspects of production and marketing, together with legislation that will bring agriculture in line with the other great fundamental industries. There is entirely too much risk in farming as conducted at present," and I added this prophetic conclusion, "Putting such a program together is a man's-size job." Falling to your lot and mine to put the program together and put it over, we certainly realize that it is a man's-size job--and what a job and what a privilege to have a part in it.

Earlier in that same year, I remarked editorially that "We have already yelled ourselves out of breath running around calling for help. We must make up our minds once and for all to travel a new road from now on or we'll go stuck again." We didn't make up our minds then, and in 1926 and 1932 we found ourselves "stuck again." Since then we have been traveling the new road. If any there be who are a little weary, let it be said that there is no old road ahead. And I should like to observe that the old road leads back and down to hard times. I hope hard times are forever behind us.

One reason why we didn't travel a new road following the depression of the early 20's was chiefly because of governmental handicaps, and because of the impossibility of securing the same type of cooperation we have had under the program of today. And mind you, we could never have had the cooperation of the past three years except for the fact that we have had a Government definitely committed to the principle of equality for agriculture, and a Government that has undertaken in a determined and practical manner to apply that principle.

Nothing is more important to be remembered today as we look to the future than the very emphatic statement of the President a few days ago when he announced that the Agricultural Adjustment Administration had won its place as a permanent institution of Government, and is here to stay. He has demonstrated the fact that his words are not empty promises.

In the early days of this country, a chief task of the settlers was keeping the Indians off while they made a crop. A chief task ahead of us is the task of keeping the "Indians" off while we carry out our program. The "Indians" are not all in Wall Street. As a matter of fact, we have many enemies in our very midst who are not conscious of the fact, they are enemies. There are others. They are shouting "Down with bureaucracy and up with human rights." Better take a look before you join the parade. If you are a little mad about something already, you are choice meat for these brethren. The enemies of the cotton program are "discovering" all sorts of "grave injustices." Better look for the reason. Then there are localities wanting special privilege. Chambers of Commerce here and there are already making demands.



In the past, there was nothing that could be done to keep production from going out of bounds and prices from collapsing and it will require courage to keep them stable in the future. Fortunately control measures have proved an effective remedy during these last three years. Is it not certain that we must choose between no control and no price, and control and fair price? The promoters say no and the land speculators say no, and the big volume cotton handlers say no. I think the answer is a most emphatic yes, and I am convinced the further answer is that we not only must have control but will have control.

A little while ago we heard a lot about regimentation and inalienable American rights. The enemies of the program are telling every would-be cotton producer to demand the right to grow as much cotton as he pleases. If any of you are dissatisfied, you will find vehement sympathy at their hands.

But what about our rights? The "inalienable American right" in the past has been the "right" of cotton producers to supply the world with cheap cotton and cut each others throats. Is it not that kind of right we are trying to get away from? It is the new right to save each other and the industry we are now seeking and must have.

According to your slogan and the stated purpose of the cotton program, we are going to grow cotton in the future for the purpose of producing a better living and a better community. If we are going to have a better living and better homes and better communities that will endure on through the generations to come in Texas, we are going to have to grow other things than cotton. We must restore the fertility to the soil, of which it has been robbed through all these generations of one-crop farming. What we need to be thinking about and have opportunity to think about now is balanced production per farm, and not all cotton. And we need to worry less about our neighbor's allotment and more about our own corn cribs and smoke houses and land; and above all, about keeping the women and children out of the cotton fields. I am not decrying honest toil. It is good for the soul, but I am decrying the slavery of the past that has prematurely aged women and that has robbed our children of opportunity.

There is a certain amount of cotton that the world will take at a fair price to those who produce it. We must produce no more, or accept the hardships of the past. The certain amount of cotton that the world will take at a fair price to our producers here will preserve to us our supremacy as the world's leading cotton-producing area. Contrary to scary tales you have heard, we have not lost our foreign markets, nor is there any prospect that we are going to lose them in the future. For my part, if holding foreign markets means 6-cent cotton, then I am ready to let them go.

You have been told repeatedly how countries abroad were gobbling up our foreign outlets. The truth is foreign countries have been attempting to take our markets for fifty years. To date there is no new threat, and the old ones have been greatly exaggerated. There is nothing in the present cotton adjustment program or in the new program that gives foreign producing countries any advantages they haven't had. We are handicapped in selling abroad by tariff barriers, by exchange restrictions, by quotas



and by trade agreements. These are factors apart from the cotton adjustment program.

What we must keep eternally in mind is that we have a plan and we have a purpose; that ours is a part of a great national program. We know the purpose is right. The purpose is not only right from the standpoint of those who produce cotton, but is right from the standpoint of national security. And through three years of experience, the plan, I think, has demonstrated its practical effectiveness. In your overwhelming votes of approval you join me in this feeling. In spite of all this, the plan is not perfect, and probably never will be, but year by year as we gain experience and wisdom we shall move on to a more nearly perfect plan. There is no point or reason in arbitrarily holding on to imperfections once we know a better way.

Our 1936 program, which in full detail will be announced in a few days, and I regret could not have been announced long ago, will make many provisions for the correction of inequities and injustices that have developed in the past. Above all, it will again provide the producer with the full power of Government influence to help him help himself. The contract itself will be a four-year agreement. I should like to point out that the contract you are shortly going to have the privilege of signing is a covenant with your own fellow cotton producers. The Government is merely permitting itself to be used as a vehicle whereby cotton producers from one end of the Belt to the other can join hands in the common cause of securing and holding equality of opportunity.

I should also like to emphasize the fact that the cotton program from the beginning has been a producers' program, as it must continue to be. This fact has done more to confound our enemies than anything else. More and more the producers themselves will have to assume responsibility. That also is as it should be. It is my conviction that the program will succeed just so long as it is a producers' program, and just so long as the producers stand by it as loyally and faithfully as they have up to the present time. When it ceases to be a producers' program, or when they tire of it, there will be no program.

